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Spain

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Food Service - Hotel Restaurant Institutional

2014

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Report Highlights:
Spain is expected to grow modestly in 2014. The growth in exports, foreign investment and a better performance in the tourist sector are the basis of the economic recovery. In 2014, Spain is on the path for another record with record numbers of overseas visitors and higher average spending. Therefore, the Hotel, Restaurant and Institutional (HRI) sector in Spain offers excellent opportunities for U.S. food-ingredient and food-product exporters. Entry into the Spanish market generally requires that potential U.S. exporters negotiate specific arrangements with established importers.

INDEX

Author Defined:

Exchange rates:

Average exchange rate used in this report, unless otherwise specified:
Calendar Year 2010: US Dollar 1 = 0.75 Euros
Calendar Year 2011: US Dollar 1 = 0.72 Euros
Calendar Year 2012: US Dollar 1 = 0.78 Euros
Calendar Year 2013: US Dollar 1 = 0.75 Euros

I. MARKET SUMMARY

Economic Trends

ECONOMIC TRENDS	2010	2011	2012	2013	2014*
Real GDP Growth Rate	-0.2	0.1	-1.6	-1.2	1.3
Inflation (%)	2.0	3.1	2.4	1.5	-0.1
Unemployment (%)	19.9	21.4	24.8	26.1	24.0
GDP per Capita (€)	20,600	20,600	20,200	20,100	20,000

Source: Eurostat (www.ec.europa.eu/eurostat)
(*) Estimates

The financial crisis continues to determine many aspects of the life of Spanish consumers and to influence their habits. With an unemployment rate over 20 percent, many families have drastically reduced their spending and altered their consumption habits. Many of those who are still employed have seen their salaries cut. These circumstances undoubtedly affect consumers' decisions frequency and habits when eating out, and determines the new strategies of the HRI sector.

The Spanish Hotel, Restaurant and Institutional (HRI) sector has been through some difficult years which have formed a new reality. This creates a new changing and challenging environment, to which the whole sector must adapt to survive.

Synopsis of the HRI sector:

- Spain is one of the top tourism destinations in Europe with the number of tourists increasing every year, boosting demand for meals in the HRI sector.

- In Spain, the HRI sector accounts for about one third of all food consumed.

- Restaurant chains, including ethnic and fast food, are gaining market share and are expected to continue growing.

Some key factors of Spanish changing demography and consumer habits affecting the HRI sector:

- Smaller households – The number of households without children is increasing. The average family has one or two children per household. Also, single person households are increasing.

- Increasing number of women in the workforce – The percentage of women in the workforce is bolstering the demand for more ready-to-eat foods, as well as eating-out frequency.

- Change in eating patterns – The increased presence and success of ethnic foods from all over the world has particularly among the younger population.

- Aging population – The increasing percentage of the Spanish population over 65 years old, increases the demand for senior citizens centers and/or facilities.

In Spain, the HRI sector currently accounts for 32.8 percent of all food consumed. 4.1 percent down compared to 2011. Total food expenditure outside home in 2013 reached $42.7 billion.

Spain Total Food Expenditure - 2013

Total Food Expenditure 2013 $135 Billion (100%)	**Food Expenditure at Home** $92.3 Billion (68.4%)	
	Food Expenditure Outside Home $42.7 Billion (31.6%)	**Self-Service, Fast Service and Bars** $13.3 Billion (9.8%)
		Restaurants with Table Service $20.9 Billion (15.5%)
		Vending Machines, Transport, Hotels, Convenience, Night Bars $8.5 Billion (6.3%)

Source: MERCASA

ADVANTAGES AND CHALLENGES FACING U.S. PRODUCTS

Advantages	Challenges

Spain's food industry relies on imported ingredients, many from the U.S.	Spain's financial situation, two main effects on retail: sinking domestic demand, lack of credit for companies.
Tourism is a strong and ever-growing sector that provides sales in the HRI sector, as well as demand for more international foods.	Lack of consumer awareness of U.S. brands and varieties of U.S. products.
Good image and reputation of U.S. products.	Competition from neighboring EU countries, where tastes and traditional products may be well known.
Good network of agents and importers to help get product into the market.	U.S. exports face higher transportation costs and difficulties in shipping mixed or smaller container loads.
Consumers are increasingly health conscious, demanding products not sufficiently present in the market.	EU labeling, traceability, and packaging laws.
Distribution structure is modern and many companies cover both Spain and Portugal.	High import tariffs and import regulations impose a price disadvantage on non-EU based companies.
Food products in the market are becoming more diversified. Consumers are becoming more open, creating opportunities for new and foreign products.	High marketing costs (advertising, discounts, etc.)

II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

Success in introducing products in the Spanish market requires local representation and personal contact. A local representative can provide up-to-date market intelligence, guidance on business practices and trade related laws, sales contact with existing and potential buyers, and market development expertise. The Office of Agricultural Affairs in Madrid maintains listings of potential importers and develops sector-specific information to help you introduce your product in Spain.

Furthermore, a directory of European importers (many of them HRI suppliers) is available online at: American Foods in Europe Directory. European importers of U.S. products are listed by product category and company/country index.

Spain generally applies EU rules and regulations. However, there are subtleties that you should learn about if you are thinking of exporting to Spain. For more information, we invite potential U.S. exporters to contact us for additional, unpublished sector-specific information.

In general terms, U.S. exporters already exporting to other EU member states will likely be meeting most of the requirements for exporting to Spain. The U.S. exporter needs to contact a Spanish importer and/or distributor for his product.

Typically, HRI operators buy their food ingredients from importers or wholesalers. Some large companies buy directly from foreign suppliers. Around 20 percent of the Spanish food production is sold to export markets, mainly to the EU. Some food-processing companies concentrate on the domestic or on export markets, but most of them will have mixed customers. Companies supplying mainly the domestic market frequently market their products directly and have their own logistics infrastructure. However, their customers will vary from wholesalers to buying groups and retailers. Companies producing for the export market may have their own marketing office overseas, local agents or may work with local importers.

U.S. exporters now face even greater challenges, because of the new EC labeling and traceability regulations. Any product that contains genetically modified ingredients must be labeled so that the consumer can distinguish the product. Since consumers have relatively low acceptance of genetically modified foods, food processors, retailers and the HRI sector are reluctant to purchase these processed products or food ingredients for processing.

The following documents are required for ocean or air cargo shipments of foodstuffs to Spain:

- Bill of Lading and/or Airway Bill
- Commercial Invoice
- Phytosanitary Certificate and/or Health Certificate when applicable

If your product is or contains plant or animal products, it will require a phytosanitary or health certificate issued by the competent U.S. authority. Also, if you are exporting animal products, your production plant has to be approved to export into the EU.

- Import Certificate

Most food products require an Import Certificate issued by the competent Spanish authority. However, the Import Certificate is obtained by the Spanish importer and/or the agent involved in the business and is intended for tariff classification purposes.

Also, please check the U.S. Mission to the European Union web page, which will guide you on exporting into the EU.

Trade Shows

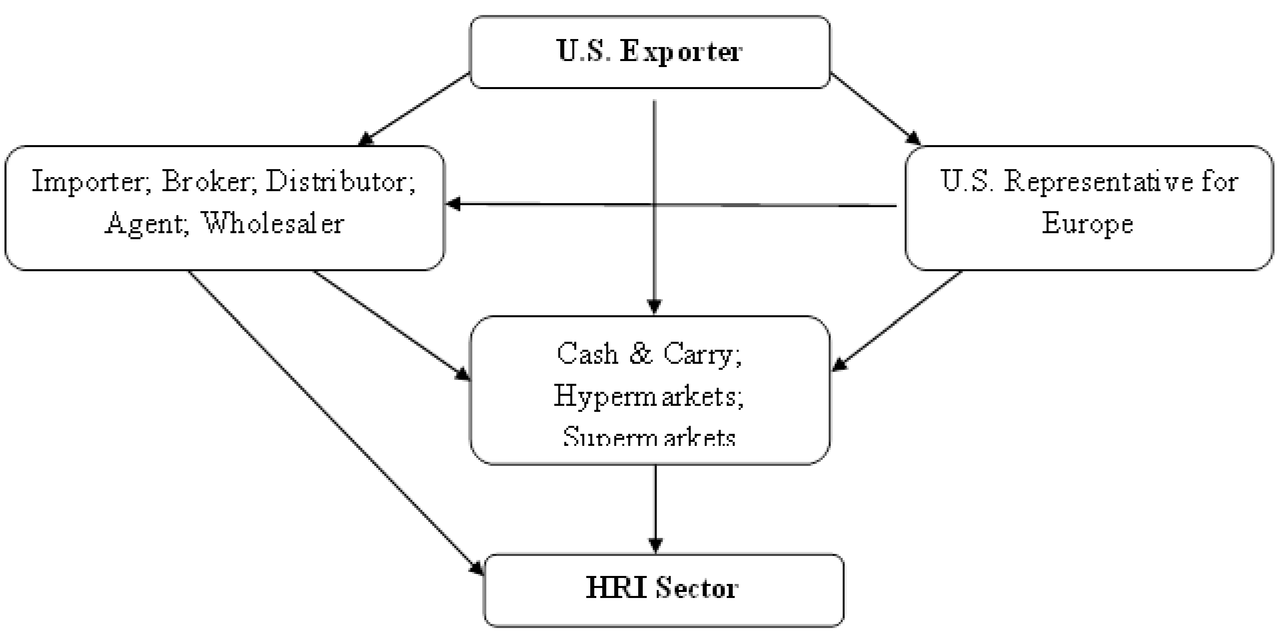
Trade shows in Spain offer excellent opportunities for U.S. exporters to make contact with potential clients or business partners from Spain, other EU countries and other continents.

The most important trade shows related to the HRI sector are:

HOREQ
Dates: January 28-30, 2015.
Place: IFEMA, Madrid

Hostelco
Dates: TBD
Place: Fira Barcelona, Barcelona

B. Market Structure



The HRI sector's supply channels are diverse and serve small and large customers with different needs. Beverage suppliers are very specialized since most beverage consumption takes place in bars, cafeterias and restaurants. The most important HRI sector suppliers are:

- Importers, Wholesalers, Specialists--More specialized by product segment, importers and wholesalers also supply directly the HRI sector, particularly the restaurant and hotel chains.

- Commercial distributors--play an important role in the supply of the food and beverages needs of many small and diverse food service providers.

- Wholesale Markets--Most perishable products are purchased at the wholesale market. The HRI sector is, by tradition, a net consumer of fresh produce.

- Cash & Carry--Open only to businesses and offering very competitive prices, they supply a wide variety of food products, from perishable to non-perishable, domestic and imported. Some cash-and-carry chains have developed outlets that only service the HRI sector.

- Super and Hypermarkets--Very important to the HRI sector when considering "last minute" purchases. Also important due to their convenient locations.

- Local Producers--Some players in the HRI sector buy directly from local producers, particularly if they are located close to major markets. The food service sector has a tradition of using fresh produce in their daily menus. Many restaurants and hotels, particularly along the coasts, buy directly from local producers and fishermen.

C. Sub-Sector Profiles

1. Hotels

Spain is one of the top tourism destinations in Europe, with increasing numbers of tourists every year, boosting demand for meals in the HRI sector. The tourism infrastructure is well developed throughout the country since this sector proved to be crucial for the economy.

Tourism, particularly foreign tourism, is one of the few sectors bringing optimism to the Spanish economy. According to the latest statistics published by the Ministry of Industry, Energy and Tourism, international tourist spending in Spain set a new record of 56.37 billion Euros from January to October 2014, up 7 percent compared to the same period of the previous year. Catalonia (with $18.1 billion), the Canary Islands ($13.6 billion) and the Balearic Islands ($13.5 billion) were the regions posting the highest inbound tourist spending figures in the first 10 months of the year. A new record was also set in October, at $7.6 billion. This represents a year-on-year increase of 4.6%

This is positive news for the HRI sector, since foreign demand compensates for the decline in national demand, due to the macroeconomic uncertainty and the high unemployment rate. National tourism demand has decreased both expenditure and demand of touristic services, including food and drinks.

The Hotel Sector in Spain -- 2013

	Spain
Total Number of Hotel Units	14,822
Total Number of Beds	1,434,520
Nights Spent (Million)	286

Source: INE

Spain – Main Tourist Areas
2013 Total Number of Nights Spent – 286 Million

Tourist Areas	No. Nights Spent	
	Nationals	Foreigners
Isla de Mallorca	2,661,039	39,653,116
Isla de Tenerife	3,793,134	19,607,876
Barcelona	2,672,967	14,679,752
Palma-Calvià	1,711,954	14,934,666
Costa del Sol	5,254,445	11,043,791
Isla de Gran Canaria	2,265,739	13,112,725
Costa Blanca	8,063,280	7,266,029
Costa Brava	2,652,509	7,960,412
Fuerteventura	658,039	9,885,862
Costa Daurada	2,933,929	6,276,503

Source: INE

Spain – Main Hotel Chains – 2013

Company Name	Total	Ownership	Purchasing Agent

	Sales ($ Million)*		
RIU Hotels & Resorts	1,800	50% Spanish/German	Distributors, Cash-and-Carry, Importers, Wholesalers
Melia Hotels International, S.A.	1,700	Spanish	Distributors, Cash-and-Carry, Importers, Wholesalers
NH Hoteles, S.A.	1,600	Spanish	Distributors, Cash-and-Carry, Importers, Wholesalers
Iberostar Hotels & Resorts	1,300	Spanish	Distributors, Cash-and-Carry, Importers, Wholesalers
Barcelo Gestión Hotelera, S.L.	800	Spanish	Distributors, Cash-and-Carry, Importers, Wholesalers
Marriot Hotels, S.L.	500	UK	Distributors, Cash-and-Carry, Importers, Wholesalers
Palladium Hotel Group - Fiesta Hotels & Resorts, S.L.	400	Spanish	Distributors, Cash-and-Carry, Importers, Wholesalers
Corporación H10 Hotels, S.L.	400	Spanish	Distributors, Cash-and-Carry, Importers, Wholesalers
Grupo Piñero – División Hostelera	360		Distributors, Cash-and-Carry, Importers, Wholesalers
Hotusa Div. Hotelera – Agincourt 2008, S.L.	350	Spanish	Distributors, Cash-and-Carry, Importers, Wholesalers

*Estimated

2. Restaurants

The food service sector in Spain expanded significantly in the last couple of decades as noted previously. Although traditional restaurants still dominate, changes in the eating habits and lifestyles have accelerated the increase of chain restaurants, including fast-food and ethnic restaurants. New types of "healthy" fast food restaurants have emerged, as have salad and gourmet bars or vegetarian restaurants. Under the specialty food sector, coffee shops and ice-cream shops are also growing very rapidly. Food Courts and other types of food service establishments, located in modern shopping and entertainment centres are very popular and attract a continuously growing number of customers. Fast food chains, restaurants and coffee shops consider such places as key locations for their business. Restaurant chains buy their food products from either local or larger EU-based suppliers in some cases consolidating purchases for the entire chain. Food sales in restaurants and food places reached $27.5 billion in 2013, 4 percent down compared to 2012. Both the persistence of the economic recession and the high unemployment rate have a clear impact on spending habits and is probably the main factor affecting the performance of full-service restaurants in 2013.

<u>Restaurants</u>

According to Euromonitor:

- The number of outlets reach 64,027 in 2013, a 0.5 percent decrease
- Spanish customers more conscious way of spending their disposable income shapes performance of full-service restaurants
- North American style full-service restaurants sees the strongest growth, increasing by 8 percent value terms in 2013
- In 2013, independent outlets far outnumbered chained full-service restaurants, accounting for 98 percent of all outlets
- Despite the forecasted slow economic recovery of the Spanish economy in 2014, the high unemployment rate will continue to limit performance of full-service restaurants

<u>Fast Food Restaurants</u>

Some relevant numbers on this sub-sector, as stated by Euromonitor:

- Fast food value sales up by 1 percent to reach $4.1 billion in 2013
- 4,861 fast food outlets are present in Spain in 2013, virtually the same number as in the previous year
- Spain's poor economy benefits sales of fast food outlets in the country
- Latin American and chicken fast food see the most dynamic performance in 2013, due to the expansion of policy of key chains

According to Euromonitor, cheaper options like fast food have held up much better than other options present in the market. Fast service chains like McDonald's and Burger King, local chains like 100 Montaditos
and La Sureña found success by selling at very low prices. Fast food tends to be particularly popular amongst the younger population (the first McDonald's in Spain opened in Madrid in 1981). Home delivery/takeaway has also been fairly stable. Pizza is particularly popular in this segment.

Spain – Leading Food Chains – 2013

Company Name	Total Sales ($ Million)*	Purchasing Agent
McDonald's España	1,300	Importers, Distributors, Wholesalers
Telepizza – FoodCo Pastries, S.L.	650	Importers, Distributors, Wholesalers
Burguer King España, S.L.U.	640	Importers, Distributors, Wholesalers
Grupo Zena – Food Service Project, S.L.	510	Importers, Distributors, Wholesalers
Areas, S.A.	500	Importers, Distributors, Wholesalers
Grupo VIPS-Sigla, S.A.	410	Importers, Distributors, Wholesalers
Casual Beer & Food, S.A.	390	Importers, Distributors, Wholesalers
The Eat Out Group, S.L.	385	Importers, Distributors, Wholesalers
El Corte Inglés, S.A.-División Restauración	250	Importers, Distributors, Wholesalers
Comess Group de Restauración, S.L.	240	Importers, Distributors, Wholesalers

*Estimated

3. Institutional

The institutional food service in Spain is dominated by the big companies, where the top ten companies are responsible for more than 70 percent of total sales. In addition there are hundreds of local small companies providing catering and events services, but are difficult to account for in term of units and sales. In general terms, Spanish total sales of the institutional food sector are estimated at $3 billion, in almost 10,000 refectories all over the country. Large institutional food service companies are price sensitive, importing directly, and/or buying products, particularly fresh produce, from local suppliers.

Spain – Leading Institutional Food Sector Companies – 2013

Company	**Total Sales ($ Million)***	**Purchasing Agent**	
Serunión, S.A.	500	Direct, Importer, Wholesaler	
Eurest Colectividades, S.L.	430	Direct, Importer, Wholesaler	
Sodexo España, S.A.	280	Direct, Importer, Wholesaler	
Auzo Lagun, S.C.	220	Direct, Importer, Wholesaler	
Aramark Servicios de Catering, S.L.	190	Direct, Importer, Wholesaler	
Cremonini Rail Iberica, S.A.	140	Direct, Importer, Wholesaler	
Grupo Arturo Cantoblanco	120	Direct, Importer, Wholesaler	
Mediterránea de Catering, S.L.	115	Direct, Importer, Wholesaler	
Gate Gourmet Spain, S.L.	113	Direct, Importer, Wholesaler	
ISS Soluciones de Catering, S.L.	85	Direct, Importer, Wholesaler	

*Estimated

III. COMPETITION

Competitive Situation Facing U.S. Suppliers from Domestically Produces Goods and Imported

Goods			
Product Category (thousand metric tons; million USD)	**Major Supply Sources in 2013 (in value)**	**Strengths of Key Supply Countries**	**Advantages and Disadvantages of Local Suppliers**
Frozen Fish *Imports: 283* *Value:$849*	1. Portugal - 7% 2. France - 7% 3. Curacao - 5% 8. USA - 4%	Other major suppliers offer high quality fish products at competitive prices.	Large competition from local suppliers and producers. Spanish domestic consumption and exports surpass local supply.
Almonds *Imports:65* *Value:$397*	1. USA - 90% 2. Australia - 3% 3. Germany - 2%	Competition from other supplying countries is limited, as Spanish demand for almonds is very high and production in other EU countries is not enough to satisfy demand.	Spain produces almonds, mostly used roasted as a snack, due to its organoleptic properties. U.S. almonds are used in the confection industry, mainly for Christmas traditional nougat.
Walnuts *Imports:22* *Value:$159*	1. USA - 55% 2. France - 18% 3. Chile - 9%	France is a traditional supplier of walnuts. Chile is increasing its presence in the Spanish market	Spain has a significant production of high quality walnuts.
Pistachios *Imports:8* *Value:$86*	1. USA - 44% 2. Germany - 34% 3. Iran - 19%	Germany is the main entry point for U.S. and Iranian pistachios to the EU. Pistachios are then re-exported to other member states.	Pistachio production in Spain is very limited.
Sunflower seeds *Imports:321* *Value:$252*	1. France - 55% 2. USA- 13% 3. Bulgaria - 9%	Growing competition from China, Argentina and Israel for confectionary. Possible implementation of lower cadmium levels.	Spain production of sunflower seeds for confectionary is not sufficient to meet demand.
Pulses *Imports:221* *Value:$242*	1.USA - 24% 2. Mexico - 21% 3. Canada- 15% 4. Argentina - 12%	Strong competition from Argentina, who largely increased their presence in recent years, and Canada, a traditional supplier to Spain.	Spain is a traditional consumer of pulses and its local production is not sufficient to fulfill internal demand. Imports from the United States continue to rise after significantly decreasing in 2009.

IV. BEST PRODUCTS PROSPECTS

Products Present In The Market That Have Good Sales Potential

- Tree nuts, particularly almonds, walnuts and pistachios
- Peanuts
- Pulses
- Sunflower seeds
- Fish and Seafood, fresh and frozen

Products Not Present In Significant Quantities But Which Have Good Sales Potential

- Functional and health food
- Free-from products (lactose-free, gluten-free)
- Food ingredients
- High value beef meat (only Non-Hormone Treated Cattle)
- Specialty foods, snack foods and sauces
- Beverages (wine and beer) and distilled spirits
- Organic Products
- Pet foods

Products Not Present Because They Face Significant Barriers

- Red meat and meat preparations (hormone ban)
- Poultry (sanitary procedures - chlorine wash)
- Processed food (with GMO ingredients)

V. POST CONTACT AND FURTHER INFORMATION

If you have any questions or comments regarding this report or need assistance exporting to Spain, please contact the Office of Agricultural Affairs in Madrid at the following address:

Foreign Agricultural Service
American Embassy, Madrid
C/ Serrano, 75
28006 Madrid
Spain
Tel.: +34-91 587 2555
Fax: +34-91 587 2556
Email: AgMadrid@fas.usda.gov
Web: http://madrid.usembassy.gov/about-us/fas.html

Please email the Office of Agricultural Affairs in Madrid for more information. Importer listings are available from the Agricultural Affairs Office for use by U.S. exporters of U.S. ingredients. Recent reports of interest to U.S. exporters interested in the Spanish market can be accessed through the FAS website.

Additionally, a list of trade associations and useful government agencies is provided below:

Trade Associations

FIAB- Federación de Industrias de Alimentación y Bebidas
(Spanish Federation of Food and Beverage Industries)
www.fiab.es
fiab@fiab.es

FEHR – Federación Española de Hostelería
(Spanish Federation for HRI Sector)
www.fehr.es
fehr@fehr.es

ASEDAS – Asociación Española de Distribuidores, Autoservicios y Supermercados
(Spanish Association for Distributors and Supermarkets)
www.asedas.es
direc.general@asedas.org

ANGED – Asociación Nacional de Grandes y Medianas Empresas de Distribución
(National Association of Midsize and Large Distributors)
www.anged.es
anged@anged.es

Government Agencies

Subdirección General de Sanidad Exterior
Ministerio de Sanidad, Servicios Sociales e Igualdad
(Imported Foodstuffs, Contaminants and Compound Residues, Health Certification, Port Inspection and EU Alerts)
http://www.msc.es/profesionales/saludPublica/sanidadExterior/home.htm
saniext@msssi.es

Agencia Española de Consumo, Seguridad Alimentaria y Nutrición (AECOSAN)
(Spanish Consumption, Food Safety and Nutrition Agency)
http://www.aecosan.msssi.gob.es
http://www.aesan.msc.es/SIAC-WEB/contacto.do?reqCode=newSearch

Dirección General de la Industria Alimentaria
Ministerio de Agricultura, Alimentación y Medio Ambiente
(Ministry of Agriculture, Food and Environmental Affairs)
http://www.magrama.gob.es/es/alimentacion/temas/default.aspx
informac@magrama.es

For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service home page at www.fas.usda.gov